



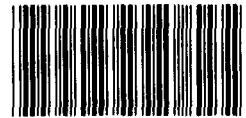
United States General Accounting Office

Report to the Clerk of the House of
Representatives

July 1990

FINANCIAL AUDIT

House Recording Studio Revolving Fund for 1989 and 1988



141834



United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-114842

July 19, 1990

The Honorable Donald K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:

As requested in your letter of November 10, 1989, we have audited the accompanying balance sheets of the House of Representatives Recording Studio Revolving Fund as of December 31, 1989 and 1988, and the related statements of operations and cash flows for the years then ended. We completed our audit work on March 30, 1990. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the House of Representatives Recording Studio Revolving Fund as of December 31, 1989 and 1988, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1989 and 1988, is included in this report.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Brian J. Bowsher for".

Charles A. Bowsher
Comptroller General
of the United States

Contents

Opinion Letter	1
Report on Internal Accounting Controls and Compliance With Laws and Regulations	6
Balance Sheets	8
Statements of Operations	9
Statements of Cash Flows	10
Notes to Financial Statements	11
Tables	
Table 1: Identifiable Studio Operating Costs Paid From Appropriated Funds	12
Table 2: Changes in Equipment	12

Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have audited the financial statements of the House of Representatives Recording Studio Revolving Fund for the years ended December 31, 1989 and 1988. Our audits were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended December 31, 1989. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1988, is presented in GAO/AFMD-89-77, dated June 29, 1989.

As part of our audit, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements.

For the purpose of this report, we have classified the significant internal accounting controls into the categories of receipts, disbursements, equipment, inventory, and receivables. Our study included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management makes estimates and judgments required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition and (2) transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and with the financial accounting policies described in note 1 to the statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, which was made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our audit, we also tested the Fund's compliance with the terms and provisions of 2 U.S.C. 123b and with rules and regulations of the Special Committee on the House Recording Studio. In our opinion, the House Recording Studio Revolving Fund complied with the terms and provisions of the just-mentioned law and rules and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our audit, that caused us to believe that the Fund was not in compliance with the terms and provisions of the above-mentioned law and rules and regulations for those transactions not tested.

Balance Sheets

	December 31,	
	1989	1988
Assets		
Current Assets		
Revolving fund cash (note 1)	\$871,224	\$658,161
Petty cash	200	200
Accounts receivable	20,332	27,943
Inventory of materials and supplies, at cost (note 1)	15,923	15,615
Total current assets	907,679	701,919
Fixed Assets		
Equipment (note 3)	2,086,167	1,874,637
Less accumulated depreciation (note 1)	1,157,972	985,431
Total fixed assets	928,195	889,206
Total Assets	\$1,835,874	\$1,591,125
Liabilities and Government Equity		
Liabilities		
Accounts payable	\$161,488	\$2,108
Government Equity		
Contributed capital	183,410	183,410
Revolving fund:		
Balance at beginning of year	1,405,607	1,384,956
Net income	85,369	20,651
Balance at end of year	1,490,976	1,405,607
Total government equity	1,674,386	1,589,017
Total Liabilities and Government Equity	\$1,835,874	\$1,591,125

The accompanying notes are an integral part of these statements.

Statements of Operations

	Total		Radio		Television		Photographic laboratory	
	1989	1988	1989	1988	1989	1988	1989	1988
Revenues								
Sales	\$464,697	\$351,629	\$67,707	\$57,991	\$300,204	\$194,570	\$96,786	\$99,068
Expenses								
Maintenance and repairs	37,825	26,032	2,026	1,848	32,320	21,884	3,479	2,300
Small equipment expense	11,401	13,215	1,667	918	6,714	11,179	3,020	1,118
Supplies	58,004	66,444	18,629	7,571	12,298	26,410	27,077	32,463
Office supplies and expenses	6,132	6,093	2,044	2,031	2,044	2,031	2,044	2,031
Miscellaneous expenses	9,768	7,812	3,256	2,604	3,256	2,604	3,256	2,604
Outside processing	75,575	31,501	0	0	75,164	30,865	411	636
Depreciation of equipment	182,623	177,408	16,748	21,401	126,939	122,549	38,936	33,458
Total expenses (note 2)	381,328	328,505	44,370	36,373	258,735	217,522	78,223	74,610
Income (Loss) From Operations	83,369	23,124	23,337	21,618	41,469	(22,952)	18,563	24,458
Other Income (Expenses)								
Gain (loss) on disposal of equipment	2,000	(1,816)	0	(1,194)	0	(622)	2,000	0
Loss on disposal of inventory	0	(657)	0	(657)	0	0	0	0
Total other income (expenses)	2,000	(2,473)	0	(1,851)	0	(622)	2,000	0
Net Income (Loss)	\$85,369	\$20,651	\$23,337	\$19,767	\$41,469	\$(23,574)	\$20,563	\$24,458

The accompanying notes are an integral part of these statements.

Statements of Cash Flows

	Years ended December 31,	
	1989	1988
Cash Flows From Operating Activities		
Net income from operations	\$83,369	\$23,124
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	182,623	177,408
Gain (loss) on disposal of equipment	2,000	(1,816)
Loss on disposal of inventory	0	(657)
Decrease (increase) in assets:		
Accounts receivable	7,611	34,628
Inventory of materials and supplies	(308)	701
Equipment purchased (note 3)	(221,612)	(147,957)
Increase (decrease) in liabilities:		
Accounts payable	159,380	(3,073)
Net cash provided by operating activities	213,063	82,358
Cash at beginning of year	658,361	576,003
Cash Balance at End of Year	\$871,424	\$658,361

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, managed by a director under the jurisdiction of the Clerk of the House of Representatives and subject to the direction and control of the Special Committee on the House Recording Studio, makes photographic prints, as well as radio and television tape recordings, for Members and committees of the House. The prices charged for services are set by the Clerk of the House, subject to the approval of the Special Committee. The House of Representatives edition of the Congressional Handbook provides a detailed description of the Studio's activities.

Studio operations are financed from the House Recording Studio Revolving Fund and from funds appropriated to the Clerk of the House and the Architect of the Capitol. All moneys received from operations are deposited into the Revolving Fund and are available for the Studio's operations.

Each Member is authorized an allowance for the conduct of the official and representational duties of his or her office. Charges for Studio services provided to Members may be paid (1) by the House Finance Office from a Member's allowance account, (2) directly by a Member, or (3) by a media organization through a Member. Charges for Studio services provided to committees may be paid by the House Finance Office from committee funds or by a media organization through a committee.

All inventory items are valued on a weighted-average cost basis. Various items such as light bulbs and photo paper are charged directly to an expense account.

Equipment is depreciated over a 10-year or a 5-year period using the straight-line method. The equipment capitalization minimum is \$1,000.

Note 2. Other Operating Costs

Certain costs of operating the House Recording Studio are not paid from the Revolving Fund. The costs related to space occupancy, building maintenance, and utilities cannot be readily determined. During 1989, the Architect of the Capitol made extensive renovations to various Studio areas. Identifiable costs paid from appropriated funds of the Clerk of the House or the Architect of the Capitol for the years ended December 31, 1989 and 1988, follow.

Table 1: Identifiable Studio Operating Costs Paid From Appropriated Funds

Costs Paid	1989	1988
Salaries and benefits	\$1,096,459	\$962,425
Equipment expenses paid to House Office Equipment Service	7,024	22,965
Reimbursement to House Information Systems	77,779	72,802
Telephone	16,727	14,224
Travel	5,852	2,034
Studio renovations	218,700	0
Total	\$1,422,541	\$1,074,450

Note 3. Equipment

A summary of the changes in the equipment account for the years ended December 31, 1989 and 1988, follows.

Table 2: Changes in Equipment

	Radio	Television	Photographic laboratory	Office	Total
Balance— December 31, 1987	\$214,268	\$1,446,214	\$208,259	\$351	\$1,869,092
Additions	6,200	116,147	52,326	0	174,673 ^a
Reductions	(3,200)	(137,179)	(28,749)	0	(169,128)
Balance— December 31, 1988	217,268	1,425,182	231,836	351	1,874,637
Additions	0	191,932	29,680	0	221,612
Reductions	0	0	(10,082)	0	(10,082)
Balance— December 31, 1989	\$217,268	\$1,617,114	\$251,434	\$351	\$2,086,167

^aThis figure represents the value of equipment purchased during 1988. When reduced by the undepreciated value of equipment traded in (\$26,716), it corresponds with the cash used for purchases of equipment (\$147,957), as shown in the statement of cash flows for 1988.

Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**